



LOCKHEED
FEDERAL CREDIT UNION

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May 20, 2010

Mary Rupp,
Secretary of the Board,
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: Proposed changes to the Regulatory Flexibility Program

Dear Ms. Rupp:

Lockheed Federal Credit Union appreciates the opportunity to comment regarding proposed changes to the Regulatory Flexibility Program. We have particular interest in the provision regarding discretionary control of investments.

Currently, credit unions may delegate (to a qualified person registered with the SEC) discretionary control over the purchase and sale of investments, up to 100 percent of the credit union's net worth. RegFlex credit unions may currently invest more than 100 percent of net worth, but this expanded authority would be restricted based on the proposed changes.

Expert investment advisors provide the ability to react quickly, efficiently and knowledgeably to market conditions. In the current volatile environment, that ability mitigates potential losses that could otherwise occur, and enables quick decisions to exploit market opportunities.

Lockheed Federal Credit Union relies on outside experts for purchase of prudent and risk-appropriate investments. Based on their knowledge and experience, these advisors are far better positioned than credit union management to quickly evaluate the investment landscape, and to react accordingly.

At a time when margins are slim, earning asset yields are low, loan losses are high, and non-interest income is subject to significant erosion, it is increasingly difficult to produce income levels required to maintain appropriate capital. The ability to use outside investment experts should not be limited, particularly for credit unions that have proven the ability to successfully manage such relationships.

We encourage consideration of alternative measures to ensure safety and soundness, without impacting the ability of well-managed credit unions to optimize investment yields:

- Provide more specificity regarding allowable investments
- Increase the frequency of stress testing for certain types of investments
- Immediately remove RegFlex status if a credit union does not meet the qualifying criteria
- Require reporting applicable to the investment advisor
- Increase the minimum capital requirement for RegFlex eligibility

- Eliminate exceptions to RegFlex eligibility criteria

The current criteria for RegFlex status includes:

- A CAMEL rating of "1" or "2" for two successive examinations, and
- Maintain "well capitalized" (7% net worth or more) status for six consecutive quarters, or
- If subject to risk based net worth (RBNW) requirements, meet the RBNW requirement for six consecutive quarters

Credit unions that qualify for RegFlex under these criteria, especially during the recent economic turmoil, clearly demonstrate they can appropriately manage their institutions in all environments. Such credit unions should not be restricted in the ability to appropriately manage their investment portfolios through the use of expert advisors.

In the alternative, if unable to utilize expert outside advisors to manage investment portfolios, credit unions will be forced to bring such resources in-house, at a greater cost and without the same expert capabilities available on a contract basis. This will not only increase costs, but will also increase the risk of inappropriate investment decisions.

Lockheed Federal Credit Union respectfully requests the NCUA Board to reconsider the proposal to restrict the ability of RegFlex credit unions to delegate investment authority to an outside investment advisor.

Sincerely,

A handwritten signature in cursive script, reading "Ana Fonseca".

Ana Fonseca
Senior Vice President and Chief Financial Officer
Lockheed Federal Credit Union